

BUDGET/WORKSHOP RETREAT MEETING
ASHEVILLE REGIONAL AIRPORT AUTHORITY
February 27, 2009
8:30 a.m.

The Asheville Regional Airport Authority ("Authority") met on Friday, February 27, 2009 at 8:30 a.m. in the Conference Room at the Authority's Administrative Offices, Asheville Regional Airport ("Airport"), 61 Terminal Drive, Suite 1, Asheville, NC 28732.

MEMBERS PRESENT: David R. Hillier, Chairman; Chuck McGrady, Secretary-Treasurer; Rhett Grotzinger; Susan C. Fisher, Brownie Newman; and Jeffrey A. Piccirillo.

MEMBERS ABSENT: David Gantt, Vice-Chairman

STAFF AND LEGAL COUNSEL PRESENT: Victor Buchanan, Authority Legal Counsel; David N. Edwards, Jr., Airport Director; Lew S. Bleiweis, Deputy Airport Director; D. David Nantz, Director of Operations and Maintenance; Kevin Howell, Development Manager; Patti Michel, Director of Marketing and Public Relations; Royce Holden, IT Director; C. Jeffrey Augram, Chief of Public Safety; Christy Brunson, Finance Manager; Suzie Baker, Administration Manager and Ellen Heywood, Recording Secretary.

CALL TO ORDER: The Chairman welcomed everyone in attendance and called the meeting to order at 8:30 a.m.

PASSENGER STATISTICS AND COST PER ENPLANEMENT UPDATE: The Airport Director presented passenger statistic comparisons on what is occurring as well as where the Asheville Regional Airport (ARA) stands in the industry. The Director noted that ARA is faring better than most of the airports in the region. ARA has seen increased passenger traffic for the past four months and he believes February will be a positive month as well. The Director also reviewed cost per enplanement comparisons, with ARA falling in the middle of the range compared to other airports. The Director cited his plans to drive enplanement costs down by redoing our rate model to be somewhere in the \$5.75 to \$6.00 per enplanement range and to properly allocate costs across the airport. Mr. Grotzinger requested the Director summarize the information that goes into the numbers presented and the Director responded with a description of the airport costs and fees associated with the cost per enplanement figure. A discussion of the criteria used in determining the cost per enplanement for the airlines followed with the Director stating that this is more of a show of good faith in recognizing we are in tough times and trying to lower costs for the airlines.

PROPOSED FY 2009/2010 BUDGET: Mr. Grotzinger questioned the Landside Roadway/Parking Improvements and Runway Rehab items in the Capital Improvement Plan (CIP) and the use of the term approved/awarded since neither item had been

approved by the Board. The Director responded that if design fees are approved then the items appear in the budget but that staff would still need to seek final approval of the project from the Board. It was agreed that the word "Planned" would be added to these line items.

Mr. Grotzinger questioned where the fees for the ID badges appeared in the budget and Mr. Bleiweis replied that the funds were not put in the budget as of yet. Staff is anticipating somewhere in the area of \$2,000-\$2,500 in revenue. Mr. Grotzinger reiterated that he did not believe this was the right time to impose additional fees to our tenants but rather to put the program in place and phase in the fees in a year or two. A discussion of which tenants would be affected took place with the Chairman noting that the consensus of the Board was to proceed with implementation of the fees as staff recommended.

Mr. Grotzinger inquired about the Griffin Building as a line item in the revenue budget and that it did not have any numbers in it. The Director informed the Board that Mr. Grotzinger had discussions with WNC Aviation about their need for expansion and the possible use of the Griffin Building. The Director informed the Board that although the Civil Air Patrol (CAP) constructed the building, the Authority has invested between \$80,000 and \$100,000 in the building and currently owns the building. A discussion ensued about the possibility of moving the CAP to a modular office building and relocating WNC Aviation to the Griffin Building. The Director informed the Board that revenue figures could be added before the budget gets final approval in April if these moves were to take place.

The Director informed the Board that staff has projected an increase in revenue for Brochures due to the proposed in-house handling of this function by Guest Services. The Director conveyed to the Board that Bill Black, who currently handles the brochures for the Authority, has been a long-time tenant and wonderful to work with. The Director reported to the Board that he has met with Mr. Black to discuss the contract. Although Mr. Black agreed to a 50/50 split of the revenue if he were to keep the contract rather than the current 30/70 split, the Authority would see a \$15,000 decrease in the Projected FY 2009/2010 Revenue. The Director requested the Board's guidance on whether to proceed with the in-house handling or renew the contract with Mr. Black. Mr. Newman inquired about costs of administering the program versus contracting it out and a discussion ensued of staff time and expertise in this area as well as the projected revenue budget for Guest Services. The consensus of the Board was for staff to proceed with the in-house handling of the Brochure function.

Mr. Grotzinger questioned the increase of personnel costs by a half million dollars. The Director responded that on the personnel side, staff deferred hiring until the fall and some of those figures are based on that fact. On the Salary Adjustment side, staff lowered the salary pool to a 3% pool rather than the previous 5% pool. Mr. Grotzinger

stated that given the economic times it would make sense to look into a hiring freeze and freeze on wages. Mr. McGrady requested an historical perspective on the salary pool and the Director explained that in the past a 5% pool has been used but staff reduced that amount to 3% in order to recognize the tough economic times. The Director also stated that staff has kept expenses down and ARA is performing at the level staff projected and does not see a need to freeze salary increases. The Deputy Airport Director informed the Board that this line item also includes longevity bonuses. The Director further stated that since this is a budget item the Board has the right to freeze any salary increases later this spring before increases become effective July 1. The Director's recommendation was for staff to go before the Board at the June Board Meeting to seek approval for allocating salary increases. Mr. Piccirillo questioned the use of overtime by staff and Mrs. Fisher inquired if there was a policy in place to justify overtime to which the Director responded in the affirmative. The Board agreed with the Director's recommendation for Board approval of salary increases at the June Board Meeting.

A discussion regarding a freeze on hiring, the attrition rate at ARA and current open positions took place with the Director stating that staff continues to monitor which positions need to be filled. Mr. Newman suggested staff needs to have a long-term strategic plan in place. The Director responded that a professional study on strategic planning was an item he had contemplated to include in the budget and one the Board may want to consider in the future. The Board agreed that a freeze on hiring would create the wrong message for public perception at this time and to rely on the Director's judgment in hiring any new employees.

Mr. Grotzinger also raised questions on the Shared Tenant Telephone Services, Operations and Maintenance Landscape Contract, Parking Lot Management Agreement and IT Document Imaging budget items and staff responded with explanations for all of the items questioned.

The Board recessed for a break at 10:43 a.m.

The Board reconvened at 10:55 a.m.

FUEL FARM RELOCATION: Kevin Howell presented a plan for the possible relocation of the fuel farm used by Odyssey Aviation to the new fuel farm area being constructed by Landmark Aviation. Mr. Howell offered two options for the relocation of the fuel tanks. The first option was to refurbish and relocate the existing tanks at a cost of \$984,000 and the second option was to replace the current tanks with two new tanks at a cost of \$1,650,000. A discussion of tank life and the current lease agreement with Odyssey Aviation took place.

The Airport Director offered a possible third option which would be to meet with Odyssey Aviation and their fuel supplier to see if an agreement could be reached where

the fuel supplier fronts the capital costs for the tanks and then are bought out of the unamortized portion of the tanks when our lease agreement with Odyssey Aviation expires. Odyssey Aviation would also then agree to purchase future fuel from the supplier. A discussion of the cost of the tanks, roadway alignment, priority level of this project, and safety issues took place. The Director informed the Board staff could obtain more information on this option and present it at the March Board Meeting. The consensus of the Board was to review this item at the March Board Meeting.

POLICIES AND PROCEDURES CHANGES: Suzie Baker gave an overview of the changes being recommended to the Policies and Procedures Manual and requested the Board Members read through the revised manual and note any concerns. Mrs. Baker noted that she believes the manual is now compliant with current laws. A discussion ensued of the use of the Authority legal counsel for review of proposed changes as well as any future legal concerns with employees. It was agreed upon that Mr. McGrady and Mr. Piccirillo would review the manual and inform the rest of the Board Members of any concerns they had with the changes. Adoption of the revised Policies and Procedures Manual will go before the Board at the March Board Meeting.

STIMULUS PLAN UPDATE: The Airport Director informed the Board that of the five projects presented to the FAA for the Stimulus Plan, the Terminal A Gates Expansion and Improvement project was the only project to be approved by the FAA Southern Region Office for \$7.5 million. The Director further reported that the official word from FAA Headquarters on the proposed stimulus projects was due the following week and that the Board would be informed once official word had been received.

Staff has terminated design on the Terminal Access Roadway – Commercial Curb. The Director recommended that staff move forward with the design process for the General Aviation Ramp Expansion, Taxiway Connector and Apron due to the fact that money may still be available if other airports do not meet their obligations for the 120 day window and the FAA may be looking for projects that are ready to go. There is also AIP fallout money at a 95% match for which ARA could compete. The Director also stated staff intends to propose the purchase of ARFF Equipment again to the FAA if any money is remaining in June.

A discussion of the design of the Terminal A Gates and a base bid with 3 alternates approach took place as well as a discussion of the General Aviation Ramp Expansion, Taxiway Connector and Apron. The Director requested the Board's direction on allowing staff to spend \$955,000 for the full design of the Terminal A Gates Expansion and Improvement as well as \$260,000 for design fees for the General Aviation Ramp Expansion, Taxiway Connector and Apron.

The consensus of the Board was to keep a project on the shelf and ready to go to bid in the event there was money available from the Stimulus Plan or AIP fallout funds and

therefore the Board gave approval for the Director to go forward with the design fees for the Terminal A Gates Expansion and Improvement and General Aviation Ramp Expansion Taxiway Connector and Apron and to execute design fee contracts.

The Board recessed for lunch at 12:10 p.m.

The Board reconvened at 12:35 p.m.

LEO AND FIRE SERVICES: Mr. Grotzinger stated that since the ARA has a lot on its plate and the City of Asheville has fire and police staff, it would make sense to look into the possibility of contracting with the City to provide fire and police services for the benefit of the community and airport. The Director reminded the Board that staff is not adverse to this idea but had researched this notion twice in the past, in 2005 and again in 2007, and found there to be no cost savings for the ARAA to contract with the City for fire services.

Chief Augram presented the Board with an analysis of 2009 salary comparisons between ARA and the City for police and fire services, a breakdown of service calls performed by his staff, as well as the Asheville Fire Rescue proposal and ARAA cost analysis performed in 2005. Chief Augram further stated that ARA still operates on the same staff compliment per shift crew as it did in 1980 to provide 24/7/365 coverage to the airport.

Vic Buchanan arrived at 12:50 p.m.

The Director stated that the level of service provided by the City would be less than the current level of service but at a similar cost. There is also the problem of using airport property for non-aviation functions if the city were to provide non-airport services to the south end of Asheville from a facility located on airport property. The Director further stated that an independent consultant should be retained to look into this should the Board seriously consider this proposal. There is also the potential for an independent airport authority in the future and it would not make sense to contract with the City for fire and police services which could complicate that issue. Mr. Grotzinger suggested staff solicit the City Council's interest in providing services before a consultant be retained. Mr. Newman was not aware of any interest by the City Council to provide these services to the ARA but could possibly have an interest in joint use of a facility.

Mr. McGrady stated this was not a priority for him and not something he is interested in initiating. Mr. McGrady further stated that the contract with the City expires in 7 or 8 years and we don't want to complicate the possibility of an independent authority.

The consensus of the Board was to dismiss the issue of contracting with the City of Asheville for police and fire services.

CLOSED SESSION: At 1:21 p.m. Mr. McGrady moved to go into closed session pursuant to subsections 143-318.11 (a) (3) and (6) of the General Statutes of North Carolina, in order to consult with legal counsel and to consider personnel matters. Mr. Grotzinger seconded the motion and it carried by unanimous vote.

Open Session Resumed at 2:45 p.m.

RECORDING OF BOARD/PUBLIC MEETINGS: Mr. McGrady made a motion to authorize the recording of the open session meetings beginning with the next meeting for purposes of allowing for preparation of minutes and that staff come back to the Board with an appropriate statement of policy with respect to the destruction of those tapes upon adoption of those minutes at the following meeting. Mr. Newman seconded the motion. The motion carried by a 5-1 vote with Mr. Grotzinger voting against the motion.

FREQUENT PARKING PROGRAM: Ms. Michel informed the Board that staff has researched Frequent Parking Programs, looked at other airports, and conducted surveys of passengers to provide the options for a Frequent Parking Program at ARA.

The first option presented called for the purchase of new software/equipment at a total cost of \$500,000.

The second option presented was a Coupon/Direct Billing concept. The coupon option would be administered manually with staff costs of \$2,262. The Direct Billing option would have estimated costs of \$17,861 for start up costs for credit card processing.

The third option would be a Weekly/Monthly Rate which would enable the leisure traveler to park for 7 days for the cost of 6 days. The Business Traveler could purchase a two-week pre-paid parking card to be offered at the weekly rate. Staff recommends an increase in the hourly rate to make this option cost effective.

A review of the current hourly rates and suggested increases followed but since staff did not know the ramifications of an increase in hourly parking and it was agreed that this would just shift the costs of such a program to a different group of passengers, the consensus of the Board was to not raise hourly parking rates at this time. The Board members also agreed that options 1 and 2 were not viable options.

Other suggestions included a tie-in to the traveler's frequent flier card; book airfare on-line through the ARA website and get pass for free parking; and a 3-day parking minimum and receive the next day free in the long-term parking lot. It was agreed that a frequent parking program is a complicated issue and one that the Board was not prepared to move on at this time. The consensus of the Board was to take this program off the table for now.

UPDATE ON PROPOSED CONSERVATION EASEMENT: Mr. McGrady reported that Governor Perdue took money from the Clean Water Management Trust Fund (CWMTF) this week and there is a possibility there will not be any funds to purchase a conservation easement from the ARAA. The Application for the Conservation Easement was turned into the Clean Water Management Trust Fund in early February. The area under consideration consists of 11,000 feet of river frontage on the south site and 2,300 feet of river frontage on the north site. Maps of the floodway and floodplain areas were reviewed and undevelopable areas shown. Mr. McGrady has spoken with the Carolina Mountain Land Conservancy (CMLC) and in order to make our land more attractive to the CWMTF for a conservation easement, the CMLC has suggested talking with Mr. Vaughan Fitzpatrick, the owner of adjacent land, to see if he has any interest in joining his land with the ARAA to create a much larger tract of land on which to form a greenway and conservation easement. The CMLC staff will make the contact with Mr. Fitzpatrick and conduct a site visit in May or June. ARAA staff will present the outcome to the Board at the August meeting to see how the Board would like to proceed.

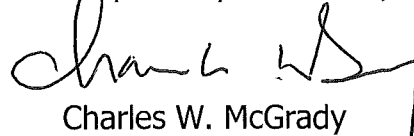
Mr. Newman left at 3:40 p.m.

The Board decided the Long Range Planning Review would be presented by Mr. Howell at the March 13, 2009 Board Meeting.

ADJOURNMENT: Mr. McGrady moved to adjourn the meeting at 3:42 p.m. and Mrs. Fisher seconded the motion. It carried by unanimous vote.

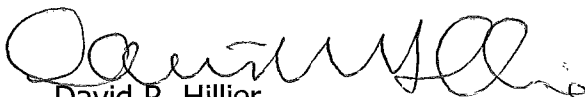
The next regular meeting of the Authority will be on Friday, March 13, 2009 at 8:30 a.m. in the Conference Room at the Authority's Administrative Offices, Asheville Regional Airport, 61 Terminal Drive, Suite 1, Asheville, NC 28732.

Respectfully submitted,



Charles W. McGrady
Secretary-Treasurer

Approved:



David R. Hillier
Chairman